

## Message Text

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ACTION ARA-06

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C O N F I D E N T I A L PANAMA 2140

STADIS/LIMDIS////////////////////

C O R R E C T E D C O P Y (REFERENCE)

FOR DEPUTY NEGOTIATOR BELL FROM BLACKEN

EO 11652: GDS

TAGS: PN, PFOR, PQ

SUBJECT: U.S.-PANAMA TREATY NEGOTIATIONS - COMMENTS ON JOINT  
WORKING GROUP SESSIONS APRIL 7-11, 1975.

REF: PANAMA 2113

SOME PERSONAL COMMENTS AND IMPRESSIONS TO SUPPLEMENT REFTEL ARE  
CONTAINED IN THIS MESSAGE.

1. THE JOINT WORKING GROUP GOT OFF TO A GOOD START. GOOD RAPPORT  
WAS ACHIEVED BY THE WEEK'S END. THE PANAMANIAN, ESPECIALLY  
FABREGA AND VELASQUEZ, DEMONSTRATED SOME UNDERSTANDING OF OUR  
POLITICAL PROBLEMS AND OF POSSIBLE MORALE PROBLEMS AMONG CANAL  
ZONE EMPLOYEES. ARIAS, WHO HAS A QUICK, LOGICAL AND PREDOMINANTLY  
LEGAL MIND, IS NOT INCLINED TO SHOW SYMPATHY FOR THE EMOTIONAL  
PROBLEMS OF CZ EMPLOYEES, BUT IT DOES US NO HARM TO GET A DASH  
OF COLD WATER OCCASIONALLY.

2. OUR PRINCIPAL SUBSTANTIVE SUCCESSES WERE IN DEFINING ISSUES  
AND BRINGING OUT INTO THE OPEN PANAMANIAN VIEWS ON A NUMBER OF  
SUBJECTS AS REPORTED REFTEL. I THINK THE PANAMANIAN TEAM NOW  
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UNDERSTANDS THE IMPORTANCE WE PLACE ON HAVING A GOVERNMENTAL

ENTITY TO RUN THE CANAL, EVEN IF THEY STUCK TO THEIR POSITION THAT IT BE A NON-USG ENTITY CONTROLLED BY THE USG THROUGH MAJORITY MEMBERSHIP ON A MANAGING BOARD. I SENSE THAT THEY CAME TO THE MEETING WITH INSTRUCTIONS ON THIS ISSUE. WE SOUGHT TO DRAW OUT THE REASONS WHY PANAMA FELT SO STRONGLY ON THIS POINT. THEIR REASONS APPEAR TO BE BOTH SUBSTANTIVE AND COSMETIC. THEY EXPRESS CONCERN OVER CONGRESSIONAL INTERFERENCE WITH THE NEW AGENCY. SECONDLY, FOR APPEARANCE SAKE, THEY WANT TO BE ABLE TO SAY TO THE PANAMANIAN PEOPLE THAT A NEW SIGNIFICANTLY DIFFERENT CANAL AGENCY WILL BE CREATED. THEY ALLEGED THAT THIS WILL BE IMPORTANT DURING THE RATIFICATION PROCESS. WE SHOULD BE CREATIVE IN ASSUAGING THESE CONCERNS AS WE DEVELOP AND EXPLAIN TO THE PANAMANIAN THE KIND OF U.S. GOVERNMENT CANAL ENTITY THAT WE WANT.

3. YOUR PERSONAL MESSAGE TO FABREGA UNDOUBTEDLY HELPED ME IN AVOIDING A PREMATURE HASSLE OVER JUST WHAT FUNCTIONS THE NEW CANAL ENTITY WILL HAVE. WE DID DISCUSS THE SUBJECT IN GENERAL, BUT BY NOT GETTING BOGGED DOWN IN ARGUMENTS OVER DETAILS, WE SUCCEEDED IN DEVISING A PROCEDURAL FORMULA FOR HANDLING THE PROBLEM. BY LEAVING THE PANAMANIAN WITH THE IMPRESSION THAT WE WILL STILL WANT TO CARRY OUT EVEN THE GARBAGE COLLECTION (AND PAN CANAL DOES WANT TO CONTINUE THIS), THEY WILL THINK THEY HAVE A VICTORY IF WE CAN WORK OUT A POSITION WHICH TRANSFERS SOME SUCH FUNCTIONS TO THE PANAMANIAN WITHIN THE THREE YEAR PERIOD. THEY RECOGNIZED THE EMOTIONAL NEEDS OF THE CANAL EMPLOYEES AND TOLD US THERE SHOULD BE NO ABRUPT CHANGES. I SENSE THAT WE WILL GET THEM TO AGREE THAT THE U.S. RETAIN FOR A TIME SOME FUNCTIONS WHICH HAVE LITTLE OR NO DIRECT RELATIONSHIP TO THE OPERATION OF THE CANAL PROVIDED THAT WE DO NOT INSIST UPON KEEPING ALL OF THEM FOR THE TREATY'S DURATION. BY PLANNING FOR GRADUAL PHASE-OUT OF THESE ACTIVITIES AND FOR A REVIEW MECHANISM TO ASSESS PROGRESS AND MAKE RECOMMENDATIONS, I BELIEVE WE CAN REACH AGREEMENT WHILE RETAINING WHAT WE NEED. MOREOVER, I THINK WE WILL FIND THAT OUR EMPLOYEES' FEARS WILL DIMINISH OVER TIME.

4. CONCERNING PRIVILEGES AND IMMUNITIES, ARIAS SUGGESTED THAT CERTAIN U.S. EMPLOYEES - THOSE WE DEEM NECESSARY FOR EXERCISING OUR PRIMARY CONTROL AND OPERATION FUNCTIONS - WOULD RECEIVE CONFIDENTIAL

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PRIVILEGES AND IMMUNITIES FOR THE LIFETIME OF THE TREATY. BUT OTHER EMPLOYEES OCCUPYING JOBS WHICH COULD BE FILLED BY PANAMANIAN WOULD RECEIVE FULL BENEFITS FOR ONLY A LIMITED TIME, PERHAPS FIVE YEARS, AFTER WHICH THEY SHOULD BE TREATED AS ANY OTHER EMPLOYEE OF THE CANAL. FABREGA ONCE SUGGESTED THAT CANAL EMPLOYEES SHOULD BE GIVEN AN OPTION TO BUY THE HOUSES THAT THEY LIVE IN. HE SAID THIS WOULD ALLOW THEM TO INTEGRATE INTO THE SOCIAL LIFE OF PANAMA. OVER TIME, NUMEROUS PEOPLE LIVING IN

WHAT IS NOW CANAL HOUSING WOULD HAVE NOTHING TO DO WITH THE RUNNING OF THE CANAL.

5. I THINK IT IS SIGNIFICANT THAT DURING THEIR EXPOSITION OF THE SHORT TREATY CONCEPT, THE ONLY ADDITIONAL CONCESSIONS THE PANAMANIAN SOUGHT WERE JURISDICTION OVER AND OPERATION OF SOME PORT FACILITIES, SMALL PARCELS OF ADJACENT LANDS, AND ACCESS CORRIDORS FOR THE PORTS. WHEN QUESTIONED WHY JURISDICTION OVER THE PORTS AND ACCESS ROADS TO THE PORTS WERE SO IMPORTANT, VELASQUEZ SAID "BECAUSE WE CANNOT SEPARATE THE NEED FOR PORTS FROM ECONOMIC DEVELOPMENT." I BELIEVE THAT IN PANAMANIAN MINDS THE INTEGRATION OF THE PORTS WITH THE INTERIOR OF PANAMA IS A PART OF "NATIONAL INTEGRATION" AND HAS SYMBOLIC AS WELL AS ECONOMIC IMPORTANCE. AS WE RECONSIDER OUR LANDS ANDS AND WATERS POSITION WE SHOULD BEAR IN MIND THE IMPORTANCE THEY PLACE ON HAVING PORT FACILITIES AND ACCESS TO THEM UNDER THEIR JURISDICTION.

6. A DOMINANT THEME PUT FORTH BY THE PANAMANIAN ALL WEEK WAS THAT THE CANAL RELATIONSHIP UNDER THE NEW TREATY SHOULD BE A CHANGING ONE. IF THERE WERE TO BE A DUAL CANAL ORGANIZATION THE PANAMANIAN ENTITY WOULD, WITH THE PASSAGE OF TIME, ABSORB FUNCTIONS OF THE U.S. AGENCY, OR ALTERNATIVELY, UNDER A SINGLE ORGANIZATION THE PANAMANIAN GOVERNMENT AND PRIVATE ENTERPRISE, POSSIBLY COOPERATIVES, WOULD ABSORB FUNCTIONS AS THEY WERE TRANSFERRED FROM OR DISCONTINUED BY THE U.S. CANAL ENTITY.

7. DURING OUR LAST TALK ON FRIDAY I RECALLED TO FABREGA THAT TORRIJOS HAD MADE SPEECHES REFERRING TO THE DISAPPEARANCE OF THE CANAL ZONE GOVERNMENT WITHIN THREE YEARS. I WONDERED WHETHER THE SHORT TREATY CONCEPT WHICH FABREGA HAD PROPOSED WOULD CAUSE POLITICAL PROBLEMS. FABREGA REPLIED THAT THE ADVANTAGES TO PANAMA OF A SHORT TREATY, WITH THE U.S. RETAINING CONFIDENTIAL

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FULL JURISDICTION, WOULD OUTWEIGH THE DISADVANTAGES:

8. ON THE FINAL DAY OF OUR TALKS FABREGA COMMENTED TO ME THAT A POSITIVE FACTOR IN THE PRESENT NEGOTIATIONS HAS BEEN THE WILLINGNESS OF THE U.S. NEGOTIATORS TO LISTEN TO ALTERNATIVES AND DISCUSS THE ISSUES FROM ALL ANGLES. THIS ATTITUDE, IN FABREGA'S VIEW, HAD HELPED KEEP THE NEGOTIATIONS ON TRACK.

JORDEN

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